

**CITY OF GRAND RIVERS, KENTUCKY  
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
YEAR ENDED JUNE 30, 2014  
AND  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF GRAND RIVERS, KENTUCKY  
 FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
 Year Ended June 30, 2014

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**THURMAN CAMPBELL GROUP, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Grand Rivers, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Grand Rivers, Kentucky's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Basis for Qualified Opinion**

We did not observe the taking of the physical water and sewer inventory at June 30, 2014 (stated at \$20,000 and \$4,000, respectively), since those dates were prior to the time we were initially engaged as auditors for the City. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective

financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Rivers, Kentucky's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements on pages 34-35 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2016, on our consideration of the City of Grand Rivers, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Rivers, Kentucky's internal control over financial reporting and compliance.

*Thurman Campbell Group, PLC*

Princeton, Kentucky  
June 15, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grand Rivers, Kentucky ("City") offers Management's Discussion and Analysis to provide an overview and analysis of the City's primary governmental financial activities for the year ended June 30, 2014. To fully understand the entire scope of the City's financial activities, this information should be read in conjunction with the financial statements provided in this document.

The City reports its annual financial statements in a required model format issued by the Government Accounting Standards Board.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$4,612,191 at June 30, 2014.
- The City's total net position increased by \$61,692 during the year.
- The governmental fund balance, a measure of current financial resources, decreased in the governmental funds by \$132,728 to a June 30, 2014 fund balance of \$292,926. Of that balance \$286,140 is restricted and \$13,308 is nonspendable, leaving a negative \$6,522 unrestricted balance. Unrestricted fund balance is available to the city for general operations.
- The Statement of Revenues, Expenditures and Changes in Fund Balance shows that the General Fund revenues were exceeded by expenditures by \$132,728.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial report includes the activities of the City of Grand Rivers, Kentucky. The City's basic financial statements comprise three components: 1) Government-wide statements; 2) fund financial statements and 3) notes to the financial statements.

#### Government-wide Statements

The government-wide statements are designed to provide readers with a broad overview of the City of Grand Rivers' finances on a full accrual basis of accounting, which is similar to a private-sector business. The statement of net position presents information on all of the City's assets, liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues and government activities from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, community environment, leisure time activities, and public welfare. The business-type activities of the City provide water, sewer and internet services to the citizens of Grand Rivers. The government-wide financial statements can be found on pages 7-8 of this report.

#### Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. . Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The differences between governmental fund assets and liabilities are reported as fund balance. Business-type activities are presented as proprietary funds. Proprietary funds finance operations through user charges. Assets with a life expectancy of more than one year are capitalized and depreciated over time. Revenues and

expenses are recognized in the period in which they are earned or incurred. The basic governmental fund financial statements can be found on pages 9-15 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 16-31 of this report.

**Supplementary Information**

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules as required. Required supplementary information can be found on pages 32-33 of this report. The city also reports supplemental information for combining nonmajor funds which can be found on pages 34-35.

**OVERVIEW OF THE CITY'S FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The government-wide financial statements reports that during the year ending June 30, 2014, the City received \$52,451 in operating and capital grants. Revenue from taxes and license and charges for services were \$387,492 and \$1,030,877 respectively. Expenses directly related to programs offered by the city were \$1,599,282. The Statement of Activities reflects a current year gain of \$61,692. Overall, the City's financial position improved from the previous year.

The fund financial statements report total General fund revenues of \$356,670 while expenditures total \$350,109.

Tourism revenue totaled \$207,661. Expenditures from the tourism fund were \$189,116.

The other governmental funds generated revenues of \$48,199 and incurred expenditures of \$60,868.

The following is a recap of financial activity for the year:

City of Grand Rivers, Kentucky		
Condensed Statement of Net Position		
As of June 30		
Assets:	2014	2013
Current and other assets	\$ 812,340	\$ 738,827
Capital assets, net	<u>5,394,470</u>	<u>5,225,570</u>
Total assets	<u>6,206,810</u>	<u>5,964,397</u>
Liabilities:		
Other liabilities	768,390	394,369
Long-term liabilities	<u>826,229</u>	<u>1,002,293</u>
Total liabilities	<u>1,594,619</u>	<u>1,396,662</u>
Net position:		
Net investment in capital assets	4,045,578	4,088,643
Restricted net position	79,877	32,514
Unrestricted net position	<u>486,736</u>	<u>429,342</u>
Total net position, prior year restated	<u>\$ 4,612,191</u>	<u>\$ 4,550,499</u>

City of Grand Rivers  
Condensed Statement of Activities  
For the Year Ending June 30,

Revenues:	2014	2013
Program revenues		
Charges for services	\$ 1,030,877	\$ 960,118
Operating grants and contributions	16,351	14,219
Capital grants and contributions	36,100	-
General revenues		
Taxes	387,492	388,581
License and permits	-	-
Investment earnings	286	770
Gain (loss) on sale of asset	-	1,000
Other	189,868	159,666
Total revenue	1,660,974	1,524,354
Expenses:		
General government	368,110	399,122
Public works	-	50,467
Public safety	141	-
Health and welfare	-	-
Culture and recreation	205,335	72,014
Water	628,064	572,970
Sewer	336,162	326,550
Internet	45,621	30,506
Interest on long-term debt	15,849	22,034
Total expenses	1,599,282	1,473,663
Change in net position	61,692	50,691
Net position, beginning, restated	4,550,499	4,517,044
Prior year restatement	-	-
Net position, ending	\$ 4,612,191	\$ 4,567,735

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget and the final budget passed by the city council anticipated no increase or decrease in the general fund balance. The actual deficit of revenues and expenditures and other sources was \$164,226.

The budgetary figures and actual amounts are reported in the supplementary information on pages 32-33.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental activities as of June 30, 2014 was \$1,605,993. The City's investment in capital assets for its business-type activities as of June 30, 2014 was \$2,439,585. This investment includes land, buildings, vehicles and equipment, net of depreciation and debt used to acquire the assets. The city acquired various assets during the year totaling \$56,695. Carrying values of the City's capital assets are as follows:

<b>Governmental activities :</b>	2014	2013
Land	\$ 265,350	\$ 265,350
Land Improvements	793,173	837,480
Buildings and improvements	753,794	793,653
Furnishings & fixtures	74,240	66,993
Vehicles	3,642	4,102
Infrastructure	175,757	186,072
Net capital asset value	<u>\$ 2,065,956</u>	<u>\$ 2,153,650</u>
<b>Business-type activities</b>		
Land	\$ 3,561	\$ 3,561
Construction in progress	504,805	96,428
Buildings and improvements	2,644,452	2,746,364
Equipment	139,014	169,015
Vehicles	36,682	48,469
Net capital asset value	<u>\$ 3,328,514</u>	<u>\$ 3,063,837</u>

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total outstanding debt for governmental and business-type activities of \$459,963 and \$881,250 respectively. The debt is related to equipment and improvements to existing capital assets. The city acquired new debt in the current fiscal year in the form of a short-term financing agreement with First Kentucky Bank to cover engineering costs related to upcoming sewer project. The new loan will be repaid from final financing proceeds acquired for the improvement. The amount due during the next fiscal year is \$461,568 and includes the repayment of the sewer note. Interest expense for 2014 the governmental activities and the business-type activities was \$18,078 and \$14,663 respectively.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Grand Rivers, Kentucky's finances for all those with an interest in the government's finances. Questions or requests for additional information may be addressed to City of Grand Rivers, Kentucky, 122 West Cumberland Ave, Grand Rivers, Kentucky 42045.

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

	Governmental Activities	Business-type Activities	Total
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 276,457	\$ 133,277	\$ 409,734
Receivables, net:			
Fees and services	4,442	115,331	119,773
Taxes	20,506	-	20,506
Internal balances	31,184	95,780	126,964
Inventory	-	24,000	24,000
Prepaid insurance	13,308	18,178	31,486
Restricted cash	-	50,274	50,274
	<hr/>	<hr/>	<hr/>
Total current assets	345,897	436,840	782,737
<b>Noncurrent Assets:</b>			
Restricted cash	29,603	-	29,603
Net capital assets:			
Land and construction in progress	265,350	504,806	770,156
Depreciable capital assets	1,800,606	2,823,708	4,624,314
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	2,095,559	3,328,514	5,424,073
	<hr/>	<hr/>	<hr/>
Total assets	2,441,456	3,765,354	6,206,810

**LIABILITIES**

<b>Current Liabilities:</b>			
Current maturities of long-term debt	56,342	82,066	138,408
Accounts payable	24,791	64,177	88,968
Payroll liabilities	1,762	6,595	8,357
Accrued interest	2,209	-	2,209
Note payable	-	384,255	384,255
Customer deposits payable	-	19,229	19,229
Internal balances	53,013	73,951	126,964
	<hr/>	<hr/>	<hr/>
Total current liabilities	138,117	630,273	768,390
<b>Noncurrent Liabilities:</b>			
Long-term leases	190,000	386,478	576,478
Long-term notes	213,621	36,130	249,751
	<hr/>	<hr/>	<hr/>
Total long-term debt	403,621	422,608	826,229
	<hr/>	<hr/>	<hr/>
Total liabilities	541,738	1,052,881	1,594,619

**NET POSITION**

Net investment in capital assets	1,605,993	2,439,585	4,045,578
Restricted	29,603	50,274	79,877
Unrestricted	264,122	222,614	486,736
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 1,899,718	\$ 2,712,473	\$4,612,191

See accompanying notes to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 368,110	\$ -	\$ -	\$ 22,836	\$ (345,274)	\$ -	\$ (345,274)
Public works	-	-	9,106	-	9,106	-	9,106
Public safety	141	-	-	-	(141)	-	(141)
Culture and recreation	205,335	-	7,245	-	(198,090)	-	(198,090)
Interest on long-term debt	15,849	-	-	-	(15,849)	-	(15,849)
Total governmental activities	589,435	-	16,351	22,836	(550,248)	-	(550,248)
Business-type activities:							
Water system	628,064	544,962	-	8,764	-	(74,338)	(74,338)
Sewer system	336,162	459,871	-	4,500	-	128,209	128,209
Internet fund	45,621	26,044	-	-	-	(19,577)	(19,577)
Total business-type activities	1,009,847	1,030,877	-	13,264	-	34,294	34,294
TOTALS	\$ 1,599,282	\$ 1,030,877	\$ 16,351	\$ 36,100	(550,248)	34,294	(515,954)
General revenues:							
Taxes and licenses:					387,492	-	387,492
Interest income					138	148	286
Rent income					110,272	-	110,272
Miscellaneous					74,640	4,956	79,596
Transfers					(145,215)	145,215	-
Total general revenues and transfers					427,327	150,319	577,646
Change in net position					(122,921)	184,613	61,692
Net position, beginning of year, business-type restated					2,022,639	2,527,860	4,550,499
Net position, end of year					\$ 1,899,718	\$ 2,712,473	\$ 4,612,191

See accompanying notes to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

<u>ASSETS</u>	General Fund	Tourism Fund	Nonmajor Funds	Total
Cash and cash equivalents	\$ 34,777	\$189,184	\$ 52,496	\$276,457
Accounts receivable:				
Fees and services	4,442	-	-	4,442
Taxes	-	17,498	-	17,498
Prepaid insurance	13,308	-	-	13,308
Due from other funds	-	-	28,491	28,491
Restricted cash	-	-	29,603	29,603
<b>TOTAL ASSETS</b>	<u>\$ 52,527</u>	<u>\$206,682</u>	<u>\$ 110,590</u>	<u>\$369,799</u>
 <b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 13,921	\$ 9,614	\$ 1,256	\$ 24,791
Taxes withheld and accrued	636	1,012	114	1,762
Due to other funds	31,184	-	19,136	50,320
<b>Total liabilities</b>	<u>45,741</u>	<u>10,626</u>	<u>20,506</u>	<u>76,873</u>
 <b>Fund Balance:</b>				
Nonspendable for:				
Prepayments	13,308	-	-	13,308
Permanent funds	-	-	29,603	29,603
Restricted	-	196,056	60,481	256,537
Unassigned	(6,522)	-	-	(6,522)
<b>Total fund balances</b>	<u>6,786</u>	<u>196,056</u>	<u>90,084</u>	<u>292,926</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u>\$ 52,527</u>	 <u>\$206,682</u>	 <u>\$ 110,590</u>	 <u>\$369,799</u>

**CITY OF GRAND RIVERS, KENTUCKY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

Total fund balance - total governmental funds \$ 292,926

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Delinquent property taxes receivable are not reported in the governmental funds balance sheet since they are not considered "available" revenues. 3,008

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 2,065,956

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. The long-term liabilities are:

Due within one year	\$ 56,342	
Due after one year	<u>213,621</u>	(269,963)

Accrued interest payments on debt are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet. (2,209)

**NET POSITION OF GOVERNMENTAL ACTIVITIES \$2,089,718**

CITY OF GRAND RIVERS, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Tourism Fund	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 227,046	\$126,828	\$ -	\$ 353,874
Franchise fees	12,450	-	-	12,450
Intergovernmental	39,645	7,245	9,106	55,996
Interest	103	17	197	317
Miscellaneous	77,426	73,571	38,896	189,893
Total revenues	<u>356,670</u>	<u>207,661</u>	<u>48,199</u>	<u>612,530</u>
Expenditures:				
Current operations:				
General government	164,743	95,153	17,690	277,586
Public works	60,414	-	16,490	76,904
Culture and recreation	42,749	24,872	26,688	94,309
Capital outlay	9,825	27,913	-	37,738
Debt service:				
Principal	61,196	34,282	-	95,478
Interest	11,182	6,896	-	18,078
Total expenditures	<u>350,109</u>	<u>189,116</u>	<u>60,868</u>	<u>600,093</u>
Excess (deficiency) of revenues over expenditures	<u>6,561</u>	<u>18,545</u>	<u>(12,669)</u>	<u>12,437</u>
Other Financing Sources (Uses):				
Contributed capital	-	-	50	50
Transfers in	-	3,736	21,836	25,572
Transfers out	(170,787)	-	-	(170,787)
Total other financing sources (uses)	<u>(170,787)</u>	<u>3,736</u>	<u>21,886</u>	<u>(145,165)</u>
Net change in fund balances	(164,226)	22,281	9,217	(132,728)
Fund balances, beginning of year	<u>171,012</u>	<u>173,775</u>	<u>80,867</u>	<u>425,654</u>
Fund balances, end of year	<u>\$ 6,786</u>	<u>\$196,056</u>	<u>\$ 90,084</u>	<u>\$ 292,926</u>

**CITY OF GRAND RIVERS, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds	\$(132,728)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in the current period.	31,547
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(119,241)
Principal payments of debt require the use of current financial resources and, therefore, are reported as expenditures in governmental funds. However, principal payments of debt do not affect net assets in the government-wide statement of activities.	95,478
Delinquent property taxes receivable are not considered "available" revenues in the governmental funds.	2,317
Accrued interest payments on debt do not require the use of current financial resources. Accrued interest is reported as an expenditure in the government-wide statement of activities.	<u>(294)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$(122,921)</u></u></b>

See accompanying note to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

ASSETS	Business-Type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor-Internet Fund	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ -	\$ 133,277	\$ -	\$ 133,277
Accounts receivable (net of allowance of doubtful accounts of \$5,661)	63,266	49,004	3,061	115,331
Due from other funds	81,117	14,663	-	95,780
Inventory	20,000	4,000	-	24,000
Prepaid insurance	10,721	7,457	-	18,178
Restricted cash	50,274	-	-	50,274
<b>Total current assets</b>	<b>225,378</b>	<b>208,401</b>	<b>3,061</b>	<b>436,840</b>
<b>Noncurrent Assets:</b>				
Property, plant, and equipment, net of accumulated depreciation	1,574,715	1,722,902	30,897	3,328,514
<b>Total assets</b>	<b>1,800,093</b>	<b>1,931,303</b>	<b>33,958</b>	<b>3,765,354</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Current maturities of long-term debt	69,826	12,240	-	82,066
Accounts payable	36,806	26,170	1,201	64,177
Taxes withheld and accrued	4,642	1,953	-	6,595
Due to other funds	14,663	-	59,288	73,951
Notes payable	-	384,255	-	384,255
Meter deposits payable	19,229	-	-	19,229
<b>Total current liabilities</b>	<b>145,166</b>	<b>424,618</b>	<b>60,489</b>	<b>630,273</b>
<b>Noncurrent Liabilities:</b>				
Long term leases	382,740	3,738	-	386,478
Long-term notes	19,088	17,042	-	36,130
<b>Total non-current liabilities</b>	<b>401,828</b>	<b>20,780</b>	<b>-</b>	<b>422,608</b>
<b>Total liabilities</b>	<b>546,994</b>	<b>445,398</b>	<b>60,489</b>	<b>1,052,881</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,103,061	1,305,627	30,897	2,439,585
Restricted	50,274	-	-	50,274
Unrestricted (deficit)	99,764	180,278	(57,428)	222,614
<b>TOTAL NET POSITION</b>	<b>\$1,253,099</b>	<b>\$1,485,905</b>	<b>\$(26,531)</b>	<b>\$2,712,473</b>

See accompanying notes to the financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Nonmajor- Internet Fund</b>	
<b>Operating Revenues:</b>				
Charges for services	\$ 443,689	\$ 457,290	\$ 25,844	\$ 926,823
Surcharges	85,951	-	200	86,151
Miscellaneous	20,078	2,776	-	22,854
<b>Total operating revenues</b>	<b>549,718</b>	<b>460,066</b>	<b>26,044</b>	<b>1,035,828</b>
<b>Operating Expenses:</b>				
Water purchased	270,916	-	-	270,916
Salary expense	138,528	97,988	-	236,516
Treatment expense	16,343	88,883	-	105,226
Maintenance expense	43,780	32,331	-	76,111
General operations	51,284	44,744	41,265	137,293
Depreciation expense	93,118	71,643	4,356	169,117
<b>Total operating expenses</b>	<b>613,969</b>	<b>335,589</b>	<b>45,621</b>	<b>995,179</b>
<b>Operating income (loss)</b>	<b>(64,251)</b>	<b>124,477</b>	<b>(19,577)</b>	<b>40,649</b>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	41	107	-	148
Interest expense	(14,095)	(568)	-	(14,663)
<b>Total nonoperating revenues (expenses)</b>	<b>(14,054)</b>	<b>(461)</b>	<b>-</b>	<b>(14,515)</b>
<b>Change in net position before capital contributions and transfers</b>	<b>(78,305)</b>	<b>124,016</b>	<b>(19,577)</b>	<b>26,134</b>
<b>Capital Contributions:</b>				
Contributed capital	8,764	4,500	-	13,264
<b>Transfers in</b>	<b>95,515</b>	<b>20,091</b>	<b>29,709</b>	<b>145,315</b>
<b>Transfers out</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>(100)</b>
<b>Change in net position</b>	<b>25,974</b>	<b>148,507</b>	<b>10,132</b>	<b>184,613</b>
<b>Total net position, restated</b>	<b>1,227,125</b>	<b>1,337,398</b>	<b>(36,663)</b>	<b>2,527,860</b>
<b>TOTAL NET POSITION, JUNE 30, 2014</b>	<b>\$ 1,253,099</b>	<b>\$ 1,485,905</b>	<b>\$ (26,531)</b>	<b>\$ 2,712,473</b>

See accompanying notes to the financial statements.

**CITY OF GRAND RIVERS, KENTUCKY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities</b>			<b>Totals</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Nonmajor-Internet Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 554,702	\$ 469,153	\$ 25,564	\$ 1,049,419
Payments to suppliers	(140,567)	(97,820)	-	(238,387)
Payments to employees	(499,145)	(159,240)	(6,995)	(665,380)
Net cash provided (used) by operating activities	<u>(85,010)</u>	<u>212,093</u>	<u>18,569</u>	<u>145,652</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	95,515	20,091	29,709	145,315
Transfers out	-	(100)	-	(100)
Net cash provided (used) by noncapital financing activities	<u>95,515</u>	<u>19,991</u>	<u>29,709</u>	<u>145,215</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Tap-on fees	8,764	4,500	-	13,264
Acquisition and construction of property, plant and equipment	(27,204)	(408,490)	-	(435,694)
Principal payments on long-term debt	(64,278)	(12,128)	-	(76,406)
Interest paid on long-term debt	(14,095)	(568)	-	(14,663)
Proceeds from new debt issuances	-	384,255	-	384,255
Net cash provided (used) by capital and related financing activities	<u>(96,813)</u>	<u>(32,431)</u>	<u>-</u>	<u>(129,244)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	41	107	-	148
Net cash provided (used) by investing activities	<u>41</u>	<u>107</u>	<u>-</u>	<u>148</u>
Net increase (decrease) in cash and cash equivalents	(86,267)	199,760	48,278	161,771
Cash and cash equivalents, July 1, 2013	<u>121,878</u>	<u>(51,820)</u>	<u>(48,278)</u>	<u>21,780</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2014</b>	<u><b>\$ 35,611</b></u>	<u><b>\$ 147,940</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 183,551</b></u>
Reconciliation of cash and cash equivalents:				
Current assets - unrestricted cash and equivalents	\$ (14,663)	\$ 147,940	-	\$ 133,277
Current assets - restricted cash	50,274	-	-	50,274
Total cash and equivalents	<u>\$ 35,611</u>	<u>\$ 147,940</u>	<u>\$ -</u>	<u>\$ 183,551</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (64,251)	\$ 124,477	\$ (19,577)	\$ 40,649
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	93,118	71,643	4,356	169,117
(Increase) decrease in:				
Accounts receivable	4,984	9,087	(480)	13,591
Prepaid insurance	(9,601)	(6,513)	-	(16,114)
Due from other funds	(81,117)	186,569	-	105,452
Increase (decrease) in:				
Accounts payable	8,205	16,403	(4,085)	20,523
Taxes withheld and accrued	(2,039)	168	-	(1,871)
Meter deposits payable	2,819	-	-	2,819
Due to other funds	(37,128)	(189,741)	38,355	(188,514)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ (85,010)</b></u>	<u><b>\$ 212,093</b></u>	<u><b>\$ 18,569</b></u>	<u><b>\$ 145,652</b></u>

See accompanying notes to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Grand Rivers have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The government's most significant accounting policies are described below.

**A. Reporting Entity**

**Form of government** - The City of Grand Rivers, Kentucky is incorporated under provisions of the Commonwealth of Kentucky. The City operates under a council - mayor form of government and provides the following services as authorized by its charter: public works (streets and highways and cemetery), health and welfare, culture and recreation, public improvements, water and sanitation, planning and zoning and general administrative services. All are responsible to the Citizens of Grand Rivers, Kentucky and are therefore included within the reporting entity.

**Principles determining scope of reporting entity** - The criteria used in determining what accounting entities, agencies, commissions, boards and authorities are part of the City of Grand Rivers's operations include how the budget is adopted, whether debt is secured by general obligation of the city, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon the application of these criteria, there no organizations to be included in the reporting entity.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The statements of net position and activities display information about the City as a whole. These statements include the financial activities of the overall government. The effect of interfund activity is presented only as it effects transactions between the governmental and business-type funds. These statements distinguish between the City's governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements** – The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The City of Grand Rivers reports the General, Tourism, Water and Sewer funds as major funds.

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those that are required to be accounted for in another fund. The general fund balance is available to the City for any purpose, provided it is expended or transferred in accordance with the charter of the City.

Tourism Fund – The tourism fund accounts for the collection of hotel/motel and restaurant tax collections. These revenues are to be used to promote tourism activities in the Grand Rivers area.

**Proprietary Funds**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds). The following are the City's major proprietary funds:

Water – This fund is used to account for the provision of water and related services.

Sewer – This fund is used to account for the collection of wastewater and related treatment services.

**Measurement Focus**

**Government-wide and Proprietary Financial Statements**

The government-wide and proprietary financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financing sources) of current financial resources.

This approach differs from the manner in which government-wide statements are presented; therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e. revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of the proprietary funds.

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and proprietary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, franchise taxes, occupational licenses, grants, entitlements, and donations. The City considers property taxes as available if they are collected within sixty days after year-end. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services. Fines, permits and other revenues are not susceptible to accrual because generally they are not measurable until received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for utility funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Operating revenues of the proprietary funds are recorded on a cyclical billing basis. The utility records unbilled receivables for services provided but not billed at the end of a fiscal period. The receivable is estimated based on the number of days of service unbilled through the end of the period.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**D. Deposits and Investments**

For purposes of financial statement presentation, all highly liquid investments (including restricted cash and investment assets) with original maturities of less than one year when purchased by the City are considered to be cash equivalents. Currently the City only holds certificates of deposit as investments which are recorded at cost.

Kentucky Revised Statutes (KRS 66.480) authorize Kentucky municipalities to invest in:

- (a) Obligations of the U. S. Treasury, agencies and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to: 1) United States Treasury; 2) Export-Import Bank of the United States; 3) Farmers Home Administration; 4) Government National Mortgage Corporation; and 5) Merchant Marine Bonds
- (c) Obligations of any corporation of the United States government
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency
- (f) Banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency
- (h) Bonds or certificates of indebtedness of the state of Kentucky and of its agencies and instrumentalities
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency
- (j) Shares of mutual funds, each of which shall have the following characteristics:
  - 1. The mutual fund shall be an open-ended diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
  - 2. The management company of the investment company shall have been in operation for at least five years.
  - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section

As security for deposits of the City, banks doing business with the City are required to pledge securities in an amount to exceed uninsured funds on deposit by the City.

**E. Prepaid items**

Payments made to vendors for services that will benefit periods beyond June 30, 2014 are recorded as prepaid items.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Inventories**

Inventories are recorded as expenditures at the time of purchase. Adjustments are made to cost of goods sold at year-end when physical counts are performed on inventory items. The city uses the average cost method to value inventory at year-end.

**G. Capital Assets**

General capital assets are long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are expensed in the period purchased in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received by the City.

The City maintains a capitalization policy of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The City capitalizes interest cost incurred as part of the cost of constructing fixed assets, when material. All reported assets are depreciated except for land. Improvements are depreciated over the remaining estimated useful lives of the related capital assets.

The City was not required to capitalize infrastructure assets used in general government operations including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to July 1, 2003. Infrastructure assets acquired since July 1, 2003 will be recorded at cost, and classified as "Infrastructure". As allowed by accounting principles generally accepted in the United States, the City has elected not to record infrastructure values retroactively. For the year ended June 30, 2014 there were no infrastructure asset additions.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements and in the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide Statement of Net Position and each proprietary fund's Statement of Net Position. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Lives</u>
Buildings	35-50 years
Land Improvements	10-35 years
Equipment	5-10 years
Furniture and fixtures	3-10 years
Vehicles	5-7 years
Utility Plant	50 years

Governmental activities capital assets and related depreciation expenses are only reported in the Governmental Activities columns on the government-wide financial statements. Because their measurement focus is on "current financial resources," capital assets and related depreciation expenses are not recorded in the governmental fund-type fund financial statements. Instead, in the governmental fund-type fund financial statements, capital asset acquisitions are reported as capital outlay expenditures.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital assets reported in both governmental and enterprise funds are carried at cost and depreciation is calculated using the straight line method.

**H. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Due to/Due from other funds”. These amounts are eliminated in the governmental activities column of the statement of net position except as they relate to transfers between governmental and business-type funds.

**I. Compensated Absences**

The City accrues vacation leave benefits as earned by its employees at June 30. Paid Time Off is earned for the year on January 1 and any unused time at December 31 is forfeited. These benefits are measured using the pay rates in effect at June 30, 2014. The entire compensated absence liability is reported on the government-wide financial statements and proprietary fund financial statements.

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

**K. Net Position**

Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Fund Balances:**

Governmental funds classify fund balances in the following five components:

- *Nonspendable* — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.
- *Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only City Council may assign amounts for specific purposes.
- *Unassigned* — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

As of June 30, 2014, fund balance components were as follows:

	Nonspendable	Restricted	Unassigned	Total
General	\$ 13,308	\$ -	\$ (6,522)	\$ 6,786
Tourism	-	196,056	-	196,056
Other Funds	29,603	60,481	-	90,084
Total	\$ 42,911	\$ 256,537	\$ (6,522)	\$ 292,926

**N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**O. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Stewardship, Compliance and Accountability**

As provided by Ordinance, the City submits an annual budget to govern City revenues and expenditures. KRS 91A.030 calls for submission of the annual budget 30 days prior to the beginning of the fiscal year. The budget is

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

adopted by ordinance and may be amended by ordinance. The executive authority has the power to transfer surplus funds to supplement departments as needed. The annual budget is prepared, to the extent practical, on a basis consistent with generally accepted accounting principles and, with exception to minor adjustments, is presented in comparison with actual figures.

**Q. Accounts Receivable**

The city grants credit to its customers, all of whom are residents or businesses located in Grand Rivers and Livingston and Lyon County. An allowance for doubtful accounts has been established.

**R. Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

**S. Property Taxes**

On July 1 of each year, the City levies a tax on the tangible property owned by its residents based on the assessment values of the property on January 1. The taxes are due and payable on December 31, with a two percent discount available until November 30. If payment is not received prior to December 31, a ten percent penalty is imposed and liens are filed on the property on May 1 of the subsequent year. The City's tax rates for the year ended June 30, 2014 are as follows:

Real property - \$0.229 per \$100 value  
Personal property - \$0.6084 per \$100 value  
Motor Vehicles and Watercraft - \$0.6084 per \$100 value

**T. Deferred Outflows and Inflows of Resources**

Effective for the fiscal year ending June 30, 2014, the City adopted provisions of Governmental Accounting Standards Board (GASB), Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

In addition to liabilities, assets and net position, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows and inflows of resources. This separate financial statement element, deferred outflows and inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an expenditure or revenue, respectively until that time. As of June 30, 2014, the City did not have deferred inflows or outflows.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**U. New Pronouncements**

Effective for the fiscal year ending June 30, 2015, the City will be subject to the provisions of Governmental Accounting Standards Board (GASB), Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

**NOTE 2 – CASH AND INVESTMENTS**

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 40 effective July 1, 2005. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the governmental fund. These resources are necessary for the delivery of governmental services and programs. GASB 40, as it applies to the City, includes disclosure of the following:

- Risks related to custodial credit risk of bank deposits; and
- Deposit and investments policies related to those risks.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2014, the carrying amount of City's deposits (including certificates of deposit) was \$489,611 and the bank balance of \$488,772 was insured as follows:

FDIC coverage	\$	325,754
Collateralized with securities held by the pledging financial institution		<u>163,018</u>
Total deposits	\$	<u><u>488,772</u></u>

*Deposit and Investment Policies* – The City of Grand Rivers does not have an investment policy.

Restricted Cash is reported as follows:

- 1) Governmental activities report restricted cash for the non-major cemetery fund of \$29,603. Restrictions are donor imposed and the amount can't be spent.
- 2) Business-type activities report restricted cash of \$19,229 for customer deposits. Customer deposits are held by the city for water and sewer customers and will be returned to the customer when service is discontinued. The city also reports restricted funds of \$31,045. This amount is restricted to be used for debt service.

**NOTE 3 – RECEIVABLES**

**A. Property and Other Taxes**

Property tax receivables are shown net of an allowance for uncollectible amounts. The City determines this allowance based on historical collection data and review of individual accounts at year end. At June 30, 2014 taxes receivable was \$5,325 with an allowance account of \$2,317, for a net receivable of \$3,008. The City records receivables for various taxes billed in June but not collected until the following fiscal year. The amount of those receivables are as follows: Restaurant taxes - \$7,446 and Room Taxes - \$10,052.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3 – RECEIVABLES (continued)**

**B. Fees**

The City records receivables for various fees billed in June but not collected until the following fiscal year. At June 30, 2014, that balance was \$4,442. Due to the nature of the receivables an allowance account is not considered necessary.

**C. Utility Receivable**

The City maintains a utility fund for the billing and collecting of water, sewer and solid waste revenues. The City bills on a monthly basis for residential and industrial customers. For the year ended June 30, 2014, the balance of the receivable account is \$120,992 which consists of billings for June service billed in July. The allowance for uncollectable amounts is calculated at 4.8% or \$5,661 for a net receivable of \$115,331.

**NOTE 4 – INTERFUND ACTIVITIES**

Interfund activities at June 30, 2014 were as follows:

	Internal Balances		Interfund Transfers	
	Due To	Due From	Transfer In	Transfer Out
General	\$ 31,184	\$ -	\$ -	\$ 170,787
Tourism	-	-	3,736	-
Water	14,663	81,117	95,515	-
Sewer	-	14,663	20,091	100
Nonmajor governmental funds	21,829	31,184	21,836	-
Nonmajor proprietary funds	59,288	-	29,709	-
<b>Total</b>	<b>\$ 126,964</b>	<b>\$ 126,964</b>	<b>\$ 170,887</b>	<b>\$ 170,887</b>

Interfund balances are created due to the time lag between when reimbursable expenditures are made and reimbursement to the appropriate fund.

Interfund transfers are used to (a) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 5 – CONTINGENCIES**

The City receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. It is the opinion of City management that such disallowances, if any, will not be material.

**NOTE 6 – RISK MANAGEMENT**

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Those risks include general liability, property and casualty, worker's compensation and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7 – OTHER MATTERS**

The City has, over several years, appropriated funds to civic and charitable organizations which, while being made for civic purposes and public welfare, may not be in accordance with Section 179 of the Kentucky Constitution.

**NOTE 8 – SINGLE EMPLOYER, DEFINED CONTRIBUTION PENSION PLAN**

The City contributes to a Simple IRA plan for all eligible employees. The City will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. The plan is administered by Edward Jones and is established under Section 408(p) of the Internal Revenue Code. The City contributed \$3,432 to employee Simple IRA accounts for the year ending June 30, 2014.

**NOTE 9 – PAID TIME OFF**

In accordance with the City of Grand Rivers policy on paid time off, the City has accrued a liability for pay, which has been earned but not taken by employees as of June 30, 2014. The City is currently liable for compensated absences of \$2,976.

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental activities:</b>				
Depreciable assets-Governmental activities				
Infrastructure	\$ 221,020	\$ -	\$ -	\$ 221,020
Land improvements	1,289,396	9,825	-	\$ 1,299,221
Buildings	1,221,517	-	-	\$ 1,221,517
Furnishings and fixtures	159,840	21,722	-	\$ 181,562
Vehicles	4,600	-	-	\$ 4,600
Subtotal	<u>2,896,373</u>	<u>31,547</u>	<u>-</u>	<u>2,927,920</u>
Accumulated depreciation-Governmental activities				
Infrastructure	34,948	10,315	-	45,263
Land improvements	451,916	54,132	-	506,048
Buildings	427,864	39,859	-	467,723
Furnishings and fixtures	92,847	14,475	-	107,322
Vehicles	498	460	-	958
Subtotal	<u>1,008,073</u>	<u>119,241</u>	<u>-</u>	<u>1,127,314</u>
Non-depreciable assets-Governmental activities				
Land	265,350	-	-	265,350
<b>Total net governmental activities capital assets</b>	<u>\$ 2,153,650</u>	<u>\$ (87,694)</u>	<u>\$ -</u>	<u>\$ 2,065,956</u>

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 70,760
Public works	2,544
Public safety	45,937
	<u>\$ 119,241</u>

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Business-type activities:</b>				
Depreciable assets-Business-type activities				
Buildings & improvements	\$ 4,987,486	\$ 24,154	\$ -	\$ 5,011,640
Equipment	414,160	1,264	-	\$ 415,424
Vehicles	131,725	-	-	\$ 131,725
Subtotal	<u>5,533,371</u>	<u>25,418</u>	<u>-</u>	<u>5,558,789</u>
Accumulated depreciation-Business-type activities				
Buildings & improvements	2,241,122	126,066	-	2,367,188
Equipment	245,145	31,264	-	276,409
Vehicles	83,257	11,787	-	95,044
Subtotal	<u>2,569,524</u>	<u>169,117</u>	<u>-</u>	<u>2,738,641</u>
Non-depreciable assets-Business-type activities				
Land	3,561	-	-	3,561
Construction in progress	96,428	408,377	-	504,805
Subtotal	<u>99,989</u>	<u>408,377</u>	<u>-</u>	<u>508,366</u>
<b>Total net business-type activities capital assets</b>	<b><u>\$ 3,063,836</u></b>	<b><u>\$ 264,678</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,328,514</u></b>

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 93,119
Sewer	71,642
Internet	4,356
	<u>\$ 169,117</u>

The city capitalized interest in the amount of \$14,623 related to the sewer improvement project.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – LONG-TERM OBLIGATIONS**

**Governmental Activities:**

**Lease Payable – Kentucky Bond Corporation**

The City entered into a leasing agreement on March 29, 2012, with the Kentucky Bond Corporation to help finance storm damage expenses. The original amount advanced was \$255,000. The lease agreement requires monthly payments including principal, interest and fees to be made to a sinking fund beginning May 1, 2012 (these monthly payments vary and range from \$2,625 to \$3,168). The last scheduled payment is February 1, 2022. The lease agreement provides financing rates that range from 2.5% to 3.25%. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2014 is \$215,000. The lease financed various cleanup and asset improvement projects. Capital assets related to this financing lease are retaining walls and stormwater improvements. Original acquisition cost was \$115,196. A total of \$29,619 has been amortized and is shown as depreciation, leaving a net value of \$85,576.

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Due in one year
Storm Damage Lease	\$ 235,000	\$ -	\$ 20,000	\$ 215,000	\$ 25,000

Future maturities are as follows:

	Principal	Interest
2015	\$ 25,000	\$ 6,400
2016	25,000	5,775
2017	25,000	5,025
2018	25,000	4,275
2019	25,000	3,525
2020-2021	90,000	5,625
	\$ 215,000	\$ 30,625

**Notes Payable – First Kentucky Bank**

The City entered into an agreement on June 27, 2007, with First Kentucky Bank for \$125,250 to finance various projects. Monthly payments of \$1,368 including principal and interest of 5.55%. The note matures on June 27, 2017 and is backed by the full faith and credit of the City. The principal balance at June 30, 2014, is \$17,434.

The City (Grand Rivers Tourist Commission) entered into an agreement on December 1, 2006, with the First Kentucky Bank to help finance the Badgett Playhouse building at a variable interest rate. This loan consolidated two initial construction advances of \$200,000 and \$150,000. Present monthly payments of \$1,992 included principal and interest of 2.875%. The note matures in 2026 and is backed by the full and credit of the city. The principal balance at June 30, 2014 is \$227,529.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – LONG-TERM OBLIGATIONS (continued)**

Notes payable information for governmental activities is as follows:

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Due in one year
First Kentucky Bank-Trails	\$ 58,630	\$ -	\$ 41,196	\$ 17,434	\$ 14,265
First Kentucky Bank-Tourism	261,811	-	34,282	227,529	17,077
<b>Total</b>	<b>\$ 320,441</b>	<b>\$ -</b>	<b>\$ 75,478</b>	<b>\$ 244,963</b>	<b>\$ 31,342</b>

Future maturities are as follows:

	Principal	Interest
2015	\$ 31,342	\$ 8,972
2016	20,744	7,662
2017	18,086	6,292
2018	18,613	5,290
2019	19,156	4,748
2020-2024	104,480	15,044
2025-2027	32,542	1,644
	<b>\$ 244,963</b>	<b>\$ 49,652</b>

**Business-type Activities:**

**Lease Payable – National Rural Water Association**

The City entered into a leasing agreement on December 19, 2001, with the Kentucky Rural Water Finance Corporation Area Development Districts Financing Trust to finance water improvement projects at interest rates approximating 5% per annum. This agreement was refinanced on February 27, 2013 with lower interest rates of 2.3% - 2.8%. The lease agreement requires monthly payments including principal and interest to be made to a sinking fund beginning April 2013 varying from \$4,712 to \$5,437. The last scheduled payment is January 2022. The lease is backed by the full faith and credit of the City. The principal balance at June 30, 2014 is \$420,000. The improvements were originally financed for \$8085,287. Lease amortization is included in depreciation with the total amount of depreciation taken as of June 30, 2014 of \$270,083 for a net book value of \$85,577 at June 30, 2014.

**Lease Payable – Kentucky League of Cities**

The City entered into a leasing agreement on January 26, 2006, with Kentucky League of Cities to finance the acquisition of a backhoe. Monthly payments including principal and interest began March 1, 2006, and the final payments is due in 2016. The interest rate is approximately 3%. The principal balance at June 30, 2014 is \$10,085. The backhoe was originally financed for \$61,850. Lease amortization is included in depreciation with the total amount of depreciation taken as of June 30, 2014 of \$53,088 for a net book value of \$8,762 at June 30, 2014.

**Lease Payable – Caterpillar Financial Services**

The City entered into a leasing agreement in November 2010, with Caterpillar Financial Services Corporation to finance the acquisition of an excavator. The lease calls for sixty-two monthly payments of \$222 including principal and interest. The principal balance at June 30, 2014 is \$14,505. The excavator was originally financed for \$47,068. Lease amortization is included in depreciation with the total amount of depreciation taken as of June 30, 2014 of \$17,258 for a net book value of \$29,810 at June 30, 2014.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – LONG-TERM OBLIGATIONS (continued)**

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Due in one year
Kentucky Rural Water-Improvements	\$ 465,000	\$ -	\$ 45,000	\$ 420,000	\$ 50,000
Kentucky League of Cities-Backhoe	15,559	-	5,474	10,085	5,681
Caterpillar Financial Services-Excavator	24,027	-	9,522	14,505	10,109
Subtotal	<u>\$ 504,586</u>	<u>\$ -</u>	<u>\$ 59,996</u>	444,590	<u>\$ 65,790</u>
Reoffering premium-Kentucky Rural Water				7,678	
Long-term leases				<u>\$ 452,268</u>	

Future maturities are as follows:

	Principal	Interest
2015	\$ 65,791	\$ 15,546
2016	58,799	11,327
2017	50,000	7,910
2018	50,000	6,760
2019	55,000	5,610
2020-2024	165,000	8,965
	<u>\$ 444,590</u>	<u>\$ 56,118</u>

**Notes Payable – National Rural Water Association**

The City entered into a loan agreement on July 1, 2009, to finance the acquisition of a trencher. The original amount advanced was \$100,000. Monthly payments of \$966 including principal and interest began August 1, 2008, and continues for 119 months with a final payment of of \$963 due July 1, 2019, at 3% per annum. The loan grants the lender a secured interest in the assests of the City. The principal balance at June 30, 2014, is \$44,479.

**Notes Payable – First Kentucky Bank**

The City entered into an agreement on October 19, 2010, with the First Kentucky Bank to finance the purchase of a 2011 Ford F250 at an interest rate of 6.49%. Motnhly payments of \$519 including principal and interest began July 27, 2007. The note matures June 27, 2017 and is backed by the full faith and credit of the City. The interest rate is 5.55% and the principal balance at June 30, 2014 is \$7,927.

CITY OF GRAND RIVERS, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 11 – LONG-TERM OBLIGATIONS (continued)**

	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014	Due in one year
National Rural Water Association-Trencher	\$ 55,382	\$ -	\$ 10,903	\$ 44,479	\$ 10,395
First Kentucky Bank-Ford F250	13,434	-	5,507	7,927	5,881
<b>Total</b>	<b>\$ 68,816</b>	<b>\$ -</b>	<b>\$ 16,410</b>	<b>\$ 52,406</b>	<b>\$ 16,276</b>

Future maturities are as follows:

	Principal	Interest
2015	\$ 16,276	\$ 1,539
2016	12,757	906
2017	11,037	550
2018	11,373	215
2019	963	3
	<b>\$ 52,406</b>	<b>\$ 3,213</b>

**NOTE 12 – SHORT TERM DEBT**

The City entered into a short term interim financing with First Kentucky Bank to pay engineering costs associated with the sewer plant project this is not fully complete as of June 30, 2014. The interest rate is 4.490%. The balance will be repaid with long-term financing secured for the sewer project.

A schedule of short term debt follows:

	Balance June 30, 2013	Debt Proceeds	Debt Payments	Balance June 30, 2014
Business-type activities:				
Sewer Improvements	\$ -	\$ 384,255	\$ -	\$ 384,255

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

The City adapted a change in accounting principle for the year ending June 30, 2014. GASB 65, Items Previously Reported as Assets and Liabilities amends or supersedes accounting principles which required debt issuance costs to be amortized over the life of the debt as an expense of the current period. Removal of the cost being amortized from prior periods resulted in a decrease in beginning fund balance and net position as follows:

Net position/fund balance as previously reported at June 30, 2013	\$ 1,244,361
Unamortized debt issuance costs at June 30, 2013	(17,235)
Restated net position/fund balance at June 30, 2013	<u>\$ 1,227,126</u>

CITY OF GRAND RIVERS, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	256,000	256,000	\$ 227,046	\$ (28,954)
Franchise fees	-	-	12,450	12,450
Intergovernmental	16,000	16,000	39,645	23,645
Interest	-	-	103	103
Miscellaneous	128,185	128,185	77,426	(50,759)
<b>Total revenues</b>	<u>400,185</u>	<u>400,185</u>	<u>356,670</u>	<u>(43,515)</u>
<b>Expenditures:</b>				
<b>Current operations:</b>				
General government	400,185	400,185	164,743	235,442
Public works	-	-	60,414	(60,414)
Culture and recreation	-	-	42,749	(42,749)
Capital outlay	-	-	9,825	(9,825)
<b>Debt service:</b>				
Principal requirement	-	-	61,196	(61,196)
Interest and fiscal requirement	-	-	11,182	(11,182)
<b>Total expenditures</b>	<u>400,185</u>	<u>400,185</u>	<u>350,109</u>	<u>50,076</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>6,561</u>	<u>6,561</u>
<b>Other Financing Sources (Uses):</b>				
Contributed capital	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(170,787)	(170,787)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(170,787)</u>	<u>(170,787)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(164,226)</u>	<u>(164,226)</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>171,012</u>	<u>-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>-</u>	<u>-</u>	<u>\$ 6,786</u>	<u>\$ (164,226)</u>

See accompanying notes to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
TOURISM FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Amended Budget	Actual	Variance
<b>Revenues:</b>				
Taxes	\$ 179,885	\$ 179,885	\$ 126,828	\$ (53,057)
Intergovernmental	-	-	7,245	7,245
Interest	-	-	17	17
Miscellaneous	-	-	73,571	73,571
<b>Total revenues</b>	<b>179,885</b>	<b>179,885</b>	<b>207,661</b>	<b>27,776</b>
<b>Expenditures:</b>				
<b>Current operations:</b>				
General government	179,885	179,885	95,153	84,732
Culture and recreation	-	-	24,872	(24,872)
Capital outlay	-	-	27,913	(27,913)
<b>Debt service:</b>				
Principal requirement	-	-	34,282	(34,282)
Interest and fiscal requirement	-	-	6,896	(6,896)
<b>Total expenditures</b>	<b>179,885</b>	<b>179,885</b>	<b>189,116</b>	<b>(9,231)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>18,545</b>	<b>18,545</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	3,736	3,736
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>3,736</b>	<b>3,736</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>22,281</b>	<b>22,281</b>
<b>Fund balances, beginning of year</b>	<b>-</b>	<b>-</b>	<b>173,775</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 196,056</b>	<b>\$ 22,281</b>

See accompanying notes to the financial statements

CITY OF GRAND RIVERS, KENTUCKY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

**ASSETS**

	<u>Municipal</u> <u>Road Aid Fund</u>	Local Government Economic Assistance Fund	Community Center Fund	Cemetery Fund	Totals
Cash and cash equivalents	\$ 41,718	\$ -	\$ 9,898	\$ 880	\$ 52,496
Restricted cash	-	-	-	29,603	29,603
Due from other funds	24,059	3,762	-	670	28,491
<b>TOTAL ASSETS</b>	<b>\$ 65,777</b>	<b>\$ 3,762</b>	<b>\$ 9,898</b>	<b>\$ 31,153</b>	<b>\$ 110,590</b>

**LIABILITIES AND  
FUND BALANCES**

<b>Current Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ 1,230	\$ 26	\$ 1,256
Taxes payable	-	-	114	-	114
Due to other funds	-	-	-	19,136	19,136
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>1,344</b>	<b>19,162</b>	<b>20,506</b>
<b>Fund Balances:</b>					
Nonspendable for permanent funds	-	-	-	29,603	29,603
Restricted	65,777	3,762	8,554	(17,612)	60,481
<b>Total fund balances</b>	<b>65,777</b>	<b>3,762</b>	<b>8,554</b>	<b>11,991</b>	<b>90,084</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,777</b>	<b>\$ 3,762</b>	<b>\$ 9,898</b>	<b>\$ 31,153</b>	<b>\$ 110,590</b>

See accompanying notes to the financial statements.

CITY OF GRAND RIVERS, KENTUCKY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Municipal Road Aid	Local Governmental Economic Assistance Fund	Community Center	Cemetery	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$ 9,106	\$ -	\$ -	\$ -	\$ 9,106
Interest	-	-	18	179	197
Miscellaneous	-	-	33,996	4,900	38,896
<b>Total revenues</b>	<b>9,106</b>	<b>-</b>	<b>34,014</b>	<b>5,079</b>	<b>48,199</b>
<b>Expenditures:</b>					
Current operations:					
General government	-	-	12,205	5,485	17,690
Public works	-	-	16,490	-	16,490
Culture and recreation	-	-	26,688	-	26,688
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>55,383</b>	<b>5,485</b>	<b>60,868</b>
Excess (deficiency) of revenues over expenditures	9,106	-	(21,369)	(406)	(12,669)
<b>Other Financing Sources (Uses):</b>					
Contributed capital	-	-	50	-	50
Transfers in	-	-	21,347	489	21,836
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>21,397</b>	<b>489</b>	<b>21,886</b>
Net change in fund balances	9,106	-	28	83	9,217
Fund balances, beginning of year	56,671	3,762	8,526	11,908	80,867
Fund balances, end of year	<u>\$ 65,777</u>	<u>\$ 3,762</u>	<u>\$ 8,554</u>	<u>\$ 11,991</u>	<u>\$ 90,084</u>

See accompanying notes to the financial statements.



**THURMAN CAMPBELL GROUP, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Grand Rivers, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Rivers, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Grand Rivers, Kentucky's basic financial statements and have issued our report thereon dated June 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Grand Rivers, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grand Rivers, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grand Rivers, Kentucky's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiencies 2014-1 and 2014-2 described in the accompanying schedule of findings responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Grand Rivers, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Grand Rivers, Kentucky's Response to Findings**

City of Grand Rivers, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Grand Rivers, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Thurman Campbell Group, PLLC*

Princeton, Kentucky  
June 15, 2016

**CITY OF GRAND RIVERS, KENTUCKY.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year ended June 30, 2014**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Grand Rivers, Kentucky.
2. Material weaknesses were reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. There were no instances of noncompliance or other matters reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2014-01 Accounting**

*Condition:* Certain transactions were not properly recorded in subsidiary ledgers on a timely basis.

*Criteria:* Accounting department staff should record all transactions required by generally accepted accounting principles on a timely basis.

*Effect:* The lack of timely recording of all transactions results in several audit adjustments necessary to present the financial statements in accordance with generally accepted accounting principles.

*Recommendation:* Management should implement internal controls necessary to insure financial statements are presented in accordance with generally accepted accounting principles.

*Response:* Management will review internal controls over financial reporting to determine if cost-effective procedures can be implemented to correct this deficiency.

**2014-02 Accounting**

*Condition:* Certain expenditures were not properly documented with detailed information related to the items purchased.

*Criteria:* All expenditures should be supported by documentation indicating the location, date, item detail and amount of purchases.

*Effect:* Without detailed purchase information expenditures may not be properly reflected in the financial reports.

*Recommendation:* Management should implement internal controls necessary to insure all purchases are properly documented.

*Response:* Management will review internal controls over expenditures and retain proper documentation.